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**Introduced by Senator Ortiz**February 21, 2003

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An act to add Chapter 2.5 (commencing with Section 104250) to Part 1 of Division 103 of the Health and Safety Code, relating to an election for biomedical research and development, and by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds.

## LEGISLATIVE COUNSEL'S DIGEST

SB 778, as introduced, Ortiz. Biomedical Research and Development Act of 2004.

Existing law establishes various disease prevention and control programs under the administration and oversight of the State Department of Health Services.

This bill would enact the Biomedical Research and Development Act of 2004, which, if adopted, would authorize the issuance of bonds in an unspecified amount for purposes of financing a specified biomedical research and development program.

The bill would provide for submission of the bond act to the voters at the next statewide election.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Chapter 2.5 (commencing with Section
- 2 104250) is added to Part 1 of Division 103 of the Health and Safety
- 3 Code, to read:
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1 CHAPTER 2.5. BIOMEDICAL RESEARCH AND  
2 DEVELOPMENT ACT OF 2004

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4 Article 1. General Provisions

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6 104250. This chapter shall be known and may be cited as the  
7 Biomedical Research and Development Act of 2004.

8 104251. The Legislature finds and declares all of the  
9 following:

10 (a) An estimated 128 million Americans suffer from the  
11 crippling economic and psychological burden of chronic,  
12 degenerative, and acute diseases, including diabetes, Parkinson's  
13 disease, cancer, and Alzheimer's disease.

14 (b) The costs of treatment and lost productivity of chronic,  
15 degenerative, and acute diseases in the United States constitutes  
16 hundreds of billions of dollars every year. Estimates of the  
17 economic costs of these diseases do not account for the extreme  
18 human loss and suffering associated with these conditions.

19 (c) Biomedical research offers immense promise for  
20 developing new therapies for these debilitating diseases and a  
21 critical means to explore fundamental questions of biology.  
22 Biomedical research could lead to unprecedented treatments and  
23 potential cures for diabetes, Alzheimer's disease, cancer, and other  
24 diseases.

25 (d) Open scientific inquiry and publicly funded research will be  
26 essential to realizing the promise of biomedical and biotechnology  
27 research and to maintain California's worldwide leadership in  
28 these fields. Publicly funded biomedical research, conducted  
29 under established standards of open scientific exchange, peer  
30 review, and public oversight, offers the most efficient and  
31 responsible means of providing regenerative medical therapies.

32 104252. As used in this chapter, the following terms have the  
33 following meanings:

34 (a) "Committee" means the Biomedical Research and  
35 Development Finance Committee created pursuant to Section  
36 104256.

37 (b) "Fund" means the Biomedical Research and Development  
38 Fund created pursuant to Section 104253.

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Article 2. Biomedical Research and Development Program

104253. (a) The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the Biomedical Research and Development Fund, which is hereby created. Moneys in the fund, upon appropriation by the Legislature, shall be allocated as follows:

(1) \_\_\_\_ percent to the Biomedical Research Account.

(2) \_\_\_\_ percent to the Biomedical Research Facilities Account.

(b) (1) Moneys in the Biomedical Research Account shall be used by the State Department of Health Services to award grants and make loans to public or private research companies, universities, institutes, and organizations for biomedical research and development.

(2) All research and development funded by the Biomedical Research Account shall be conducted under established standards of open scientific exchange, peer review, and public oversight.

(3) All grants or loans provided under this section shall be awarded or made to researchers or projects located within this state.

(c) Moneys in the Biomedical Research Facilities Account shall be used to construct biomedical research facilities.

Article 3. Fiscal Provisions

104254. Bonds in the total amount of \_\_\_\_ dollars (\$\_\_\_\_), or so much thereof as is necessary, not including the amount of any refunding bonds, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

104255. The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4

(commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this chapter and are hereby incorporated in this chapter as though set forth in full in this chapter.

104256. (a) Solely for the purpose of authorizing the issuance and sale pursuant to the State General Obligation Bond Law of the bonds authorized by this chapter, the Biomedical Research and Development Finance Committee is hereby created. For purposes of this chapter, the Biomedical Research and Development Finance Committee is “the committee” as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, Treasurer, Director of Finance, and the Director of Health Services, or their designated representatives. The \_\_\_\_\_ shall serve as chairperson of the committee. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the State Department of Health Services is designated the “board.”

104257. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the actions specified in Section 104253 and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

104258. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

104259. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 104256, appropriated without regard to fiscal years.

104260. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

104261. All money deposited in the fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

104262. Pursuant to Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code, the cost of bond issuance shall be paid out of the bond proceeds. These costs shall be shared proportionally by each program funded through this bond act.

104263. The Director of Health Services may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, including other authorized forms of interim financing that include, but are not limited to, commercial paper, in accordance with Section 16312 of the Government Code, for purposes of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The Director of Health Services shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

104264. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds.

1 104265. Notwithstanding any other provision of this chapter,  
2 or of the State General Obligation Bond Law, if the Treasurer sells  
3 bonds pursuant to this chapter that include a bond counsel opinion  
4 to the effect that the interest on the bonds is excluded from gross  
5 income for federal tax purposes, subject to designated conditions,  
6 the Treasurer may maintain separate accounts for the investment  
7 of bond proceeds and for the investment of earnings on those  
8 proceeds. The Treasurer may use or direct the use of those  
9 proceeds or earnings to pay any rebate, penalty, or other payment  
10 required under federal law or take any other action with respect to  
11 the investment and use of those bond proceeds required or  
12 desirable under federal law to maintain the tax-exempt status of  
13 those bonds and to obtain any other advantage under federal law  
14 on behalf of the funds of this state.

15 104266. The Legislature hereby finds and declares that,  
16 inasmuch as the proceeds from the sale of bonds authorized by this  
17 chapter are not “proceeds of taxes” as that term is used in Article  
18 XIII B of the California Constitution, the disbursement of these  
19 proceeds is not subject to the limitations imposed by that article.

20 SEC. 2. Section 1 of this act shall take effect upon the  
21 approval by the voters of the Biomedical Research and  
22 Development Act of 2004, as set forth in Section 1 of this act.

23 SEC. 3. Section 1 of this act shall be submitted to the voters  
24 at the next statewide election in accordance with provisions of the  
25 Government Code and the Elections Code governing the  
26 submission of a statewide measure to the voters.

27 SEC. 4. (a) Notwithstanding any other provision of law, all  
28 ballots of the election shall have printed thereon and in a square  
29 thereof, the words: “Biomedical Research and Development Act  
30 of 2004,” and in the same square under those words, the following  
31 in 8-point type: “This act provides for a bond issue of \_\_\_\_ dollars  
32 (\$\_\_\_\_) to provide funds for a biomedical research and  
33 development program.” Opposite the square, there shall be left  
34 spaces in which the voters may place a cross in the manner required  
35 by law to indicate whether they vote for or against the act.

36 (b) Where the voting in the election is done by means of voting  
37 machines used pursuant to law in a manner that carries out the  
38 intent of this section, the use of the voting machines and the

1 expression of the voters' choice by means thereof are in  
2 compliance with this section.

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